

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ellsworth Township	County Lake
Audit Date 3/31/06	Opinion Date 6/7/06	Date Accountant Report Submitted to State: July 3, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 6/30/06	

ELLSWORTH TOWNSHIP, LAKE COUNTY

LUTHER, MICHIGAN

MARCH 31, 2006

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MARCH 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Township, Lake County, Luther, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Township, Lake County, Luther, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ellsworth Township, Lake County, Luther, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Ellsworth Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Ellsworth Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$220,624. Of this amount, \$184,226 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$199,086. About 92.5% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Ellsworth Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$220,624 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

Ellsworth Township
Net Assets as of March 31, 2006

Assets

Current Assets	\$ 199,619
Non Current Assets	
Capital Assets	34,055
Less: Accumulated Depreciation	(12,507)
Total Non Current Assets	21,548
Total Assets	\$ 221,167

Liabilities

Current Liabilities	\$ 543
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Net Assets

Invested in Capital Assets	21,548
Restricted for Specific Purposes	14,850
Unrestricted	184,226
Total Net Assets	220,624
Total Liabilities and Net Assets	\$ 221,167

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2006. Other liabilities are minimal as of March 31, 2006.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The total net assets of the Township increased by \$25,803 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Ellsworth Township
Change in Net Assets
For The Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,488
Operating Grants and Contributions	2,881
Capital Grants and Contributions	9,600
General Revenues	
Taxes	70,407
State Grants	49,446
Interest Earnings	5,158
Other	223
Total Revenues	<u>141,203</u>
<u>Expenses</u>	
Legislative	5,177
General Government, Administrative	60,591
Public Safety	35,802
Public Works	4,433
Recreational and Cultural	500
Other Functions	8,897
Total Expenses	<u>115,400</u>
Change in Net Assets	25,803
NET ASSETS - Beginning of Year	<u>194,821</u>
NET ASSETS - End of Year	<u><u>\$ 220,624</u></u>

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$25,803. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Ellsworth Township comes from property taxes. The Township levied 0.8375 mills for operating purposes, 1.6041 mills for fire protection and 0.9211 mills for fire equipment.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general government administrative expenses that total 52.5% of total expenses. The Township spent \$60,591 in fiscal year 2006 on general government administrative expenses. Public Safety represented the next largest expense at \$35,802, or 31.02% of total expenses.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Ellsworth Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Ellsworth Township's governmental funds reported combined ending fund balances of \$199,076. Approximately 92.5% or \$184,226 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund increased its fund balance by \$6,664 which brings the fund balance to \$188,303. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for the Other Functions, ended the year with expenditures below budgeted amounts. The Other Functions differential was funded by available fund balance. Taxes amounted to \$24,077. State shared revenues were collected in the amount of \$52,327.

Fire Fund – The Fire Fund balance remained the same at \$118. The balance is reserved and must be used for fire protection. Taxes collected amounted to \$29,445.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fire Equipment Fund – The Fire Equipment Fund increased its fund balance by \$10,551, which brings the fund balance to \$10,655. Taxes collected amounted to \$16,885.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$21,548 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$2,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Ellsworth Township
Capital Assets as of March 31, 2006

		Governmental Activities
Land	\$	6,617
Building Improvements		13,838
Equipment		13,600
		<hr/> 34,055
Less Accumulated Depreciation		<hr/> 12,507
Net Capital Assets	\$	<hr/>21,548<hr/>

Two optical scan voting machines were purchased through state grants in the amount of \$9,600.

Long-Term Debt. Ellsworth Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Ellsworth Township at 210 State Street, Luther, Michigan 49656.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 167,648
Receivables:	
Taxes	10,132
External Parties (Fiduciary Fund)	1,461
Due from Other Governments	<u>20,378</u>
Total Current Assets	<u>199,619</u>
 <u>CAPITAL ASSETS</u>	
Land	6,617
Building Improvements	13,838
Equipment	<u>13,600</u>
	34,055
Less Accumulated Depreciation	<u>12,507</u>
Net Capital Assets	<u>21,548</u>
 TOTAL ASSETS	 <u>221,167</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Taxes and Withholdings	<u>543</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	21,548
Restricted for Fire Protection	118
Restricted for Fire Equipment	10,655
Restricted for Telecommunications Right-Of-Way	2,002
Restricted for Cemetery Perpetual Care	2,075
Unrestricted	<u>184,226</u>
 TOTAL NET ASSETS	 <u>\$ 220,624</u>

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGE IN NET ASSETS
					GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 5,177	\$ 0	\$ 0	\$ 0	\$ (5,177)
General Government, Administrative	60,591	3,488	0	9,600	(47,503)
Public Safety	35,802	0	2,881	0	(32,921)
Public Works	4,433	0	0	0	(4,433)
Recreation and Cultural	500	0	0	0	(500)
Other Functions	8,897	0	0	0	(8,897)
Total Governmental Activities	\$ 115,400	\$ 3,488	\$ 2,881	\$ 9,600	(99,431)
<u>GENERAL REVENUES</u>					
Taxes					\$ 70,407
State Grants					49,446
Interest Earnings					5,158
Other					223
Total General Revenues					125,234
Change in Net Assets					25,803
<u>NET ASSETS</u> - Beginning of Year					194,821
<u>NET ASSETS</u> - End of Year					\$ 220,624

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	GENERAL FUND	FIRE FUND	FIRE EQUIPMENT FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 156,875	\$ 118	\$ 10,655	\$ 167,648
Taxes Receivable	3,109	4,475	2,548	10,132
Due from Other Governments	20,378	0	0	20,378
Due from Other Funds	8,484	0	0	8,484
Total Assets	<u>\$ 188,846</u>	<u>\$ 4,593</u>	<u>\$ 13,203</u>	<u>\$ 206,642</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Payroll Taxes and Withholdings	\$ 543	\$ 0	\$ 0	\$ 543
Due to Other Funds	0	4,475	2,548	7,023
Total Liabilities	<u>543</u>	<u>4,475</u>	<u>2,548</u>	<u>7,566</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Fire Protection	0	118	0	118
Fire Equipment	0	0	10,665	10,665
Telecommunications Right-Of-Way	2,002	0	0	2,002
Cemetery Perpetual Care	2,075	0	0	2,075
Unreserved				
Undesignated	184,226	0	0	184,226
Total Fund Balance	<u>188,303</u>	<u>118</u>	<u>10,665</u>	<u>199,086</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 188,846</u>	 <u>\$ 4,593</u>	 <u>\$ 13,213</u>	 <u>\$ 206,652</u>

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	199,086
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	6,617	
Building Improvements		13,838	
Equipment		13,600	
Accumulated Depreciation		<u>(12,507)</u>	<u>21,548</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>220,634</u></u>
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The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	FIRE EQUIPMENT FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 24,077	\$ 29,445	\$ 16,885	\$ 70,407
Licenses and Permits	300	0	0	300
State Grants	61,927	0	0	61,927
Charges for Services	3,188	0	0	3,188
Interest and Rents	5,135	18	5	5,158
Other Revenues	223	0	0	223
Total Revenues	94,850	29,463	16,890	141,203
<u>EXPENDITURES</u>				
Legislative	5,177	0	0	5,177
General Government	69,179	0	0	69,179
Public Safety	0	29,463	6,339	35,802
Public Works	4,433	0	0	4,433
Recreation and Cultural	500	0	0	500
Other Functions	8,897	0	0	8,897
Total Expenditures	88,186	29,463	6,339	123,988
Excess (Deficiency) of Revenues Over Expenditures	6,664	0	10,551	17,215
<u>FUND BALANCE</u> - Beginning of Year	181,639	118	104	181,861
<u>FUND BALANCE</u> - End of Year	\$ 188,303	\$ 118	\$ 10,655	\$ 199,076

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 17,215
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	9,600
Depreciation Expense	<u>(1,012)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 25,803</u></u>

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,461
	<u> </u>
<u>LIABILITIES</u>	
Due to General Fund	\$ 1,461
	<u> </u>

The accompanying notes are an integral part of the financial statements.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ellsworth Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Ellsworth Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted to expenditures for fire equipment.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Additionally, Ellsworth Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township has authorized the Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Ellsworth Township totaled \$18,366,844, on which ad valorem taxes levied consisted of 0.8375 mills for Ellsworth Township operating purposes, 1.6041 mills for fire and 0.9211 mills for fire equipment. The levy raised approximately \$15,314 for operating purposes, \$29,445 for fire protection and \$16,885 for fire equipment.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Infrastructure	50
Vehicles	10
Equipment	5-10

Ellsworth Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 28, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are on deposit with Lake Osceola State Bank in Luther, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$55,601 of the government's bank balance of \$170,024 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are shown on the statement of net assets.

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 6,617	\$ 0	\$ 0	\$ 6,617
Capital assets, being depreciated				
Building Improvements	13,838	0	0	13,838
Equipment	4,000	9,600	0	13,600
Total capital assets, being depreciated	17,838	9,600	0	27,438

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Building Improvements	7,495	692	0	8,187
Equipment	4,000	320	0	4,320
Total accumulated depreciation	11,495	1,012	0	12,507
Total capital assets, being depreciated, net	6,343	8,588	0	14,931
Governmental activities capital assets, net	\$ 12,960	\$ 8,588	\$ 0	\$ 21,548

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government \$ 1,012

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
Primary Government Only Due From/To Other Funds:		
General Fund		
Fire	\$ 4,475	\$ 0
Fire Equipment	2,548	0
Current Tax	1,461	0
Fire		
General Fund	0	4,475
Fire Equipment		
General Fund	0	2,548
Current Tax		
General Fund	0	1,461
Total Primary Government	\$ 8,484	\$ 8,484

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all full-time employees. The annual contribution is 10% of full-time employee's compensation of which 5% is paid by the Township and 5% by the official. The Township's 2005-2006 contribution amounted to \$1,895 and participants contributed \$1,895. In addition, the Township paid \$367 in charges and participant fees.

To participate in the plan, an individual must be at least 18 years of age. Benefits attributable to the Township are vested in the participant's immediately.

Normal retirement age under the plan is 65 or, if later, completion of 10 years of participation in the Plan.

For purposes of this plan, compensation means the basic annual rate of compensation in effect at the beginning of each plan year. For the 2005-2006 year, covered compensation was \$36,750 and total of all wages including noncovered wages was \$46,010.

C. Property Tax Administration Fee

The Township passed a resolution on July 14, 1983, to charge a 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township board.

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Cemetery Perpetual Care

Of the \$2,075 reserve for Cemetery Perpetual Care, \$2,000 was donated to the Township for perpetual care. Only the interest earnings on this amount can be used for cemetery upkeep which amounts to \$75.

E. Joint Fire District

The Township is a member of the Luther Fire District #1. The Fire District is a joint venture of Ellsworth and Newkirk Townships created to provide fire protection for the member townships. Ellsworth Township levied 2.5252 mills to support the Fire District. The following financial information was taken from the Fire District's March 31, 2005, audited financial statements:

Total Assets	\$ 391,074
Total Liabilities	17,365
Investment in Capital Assets	356,868
Net Assets Invested in Capital Assets	
Net of Related Debt	339,503
Net Assets - Unrestricted	34,206
Total Revenues - Governmental	115,421
Total Expenses - Governmental	82,996
Change in Net Assets	32,475

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND				FIRE FUND				FIRE EQUIPMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 18,373	\$ 18,373	\$ 24,077	\$ 5,704	\$ 35,868	\$ 35,868	\$ 29,445	\$ (6,423)	\$ 22,876	\$ 22,876	\$ 16,885	\$ (5,991)
Licenses and Permits	0	0	300	300	0	0	0	0	0	0	0	0
State Grants	25,000	25,000	61,927	36,927	0	0	0	0	0	0	0	0
Charges for Services	9,000	9,000	3,188	(5,812)	0	0	0	0	0	0	0	0
Interest and Rents	600	600	5,135	4,535	0	0	18	18	0	0	5	5
Other Revenues	0	0	223	223	0	0	0	0	0	0	0	0
Total Revenues	52,973	52,973	94,850	41,877	35,868	35,868	29,463	(6,405)	22,876	22,876	16,890	(5,986)
<u>EXPENDITURES</u>												
Legislative	7,985	8,399	5,177	3,222	0	0	0	0	0	0	0	0
General Government	86,412	90,819	69,179	21,640	0	0	0	0	0	0	0	0
Public Safety												
Civil Defense	10,000	10,000	0	10,000	0	0	0	0	0	0	0	0
Enforcement	3,000	3,000	0	3,000	0	0	0	0	0	0	0	0
Fire Protection	0	0	0	0	35,868	35,868	29,463	6,405	22,876	22,876	6,339	16,537
Public Works												
Highways, Streets and Bridges	2,000	2,000	2,000	0	0	0	0	0	0	0	0	0
Refuse Collection/Disposal	7,000	7,000	2,433	4,567	0	0	0	0	0	0	0	0
Community and Economic Development	30,000	30,000	0	30,000	0	0	0	0	0	0	0	0
Recreation and Cultural	2,500	2,500	500	2,000	0	0	0	0	0	0	0	0
Other Functions	18,000	18,000	8,897	9,103	0	0	0	0	0	0	0	0
Contingency	19,260	14,439	0	14,439	0	0	0	0	0	0	0	0
Total Expenditures	186,157	186,157	88,186	97,971	35,868	35,868	29,463	6,405	22,876	22,876	6,339	16,537
Excess (Deficiency) of Revenues Over Expenditures	(133,184)	(133,184)	6,664	139,848	0	0	0	0	0	0	10,551	10,551
<u>FUND BALANCE</u> - Beginning of Year	181,639	181,639	181,639	0	100	100	118	18	2,167	2,167	104	(2,063)
<u>FUND BALANCE</u> - End of Year	\$ 48,455	\$ 48,455	\$ 188,303	\$ 139,848	\$ 100	\$ 100	\$ 118	\$ 18	\$ 2,167	\$ 2,167	\$ 10,655	\$ 8,488

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	BALANCE				BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS		3/31/2006
<u>ASSETS</u>					
Cash					
Money Market Account	\$ 0	\$ 614,316	\$ 612,855	\$	1,461
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 61,995	\$ 60,534	\$	1,461
Due to Other Governmental Units	0	551,771	551,771		0
Due to Other Organizations and Individuals	0	550	550		0
TOTAL LIABILITIES	\$ 0	\$ 614,316	\$ 612,855	\$	1,461

ELLSWORTH TOWNSHIP, LAKE COUNTY
LUTHER, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$ 206,490	
County - State Education Tax	110,198	
Township	61,644	
School		
Pine River Area Schools	210,773	
Intermediate School		
Wexford-Missaukee	<u>109,302</u>	\$ 698,407

TAXES COLLECTED

County	177,106	
County - State Education Tax	98,705	
Township	52,343	
School		
Pine River Area Schools	185,024	
Intermediate School		
Wexford-Missaukee	<u>92,809</u>	<u>605,987</u>

TAXES RETURNED DELINQUENT

County	29,384	
County - State Education Tax	11,493	
Township	9,301	
School		
Pine River Area Schools	25,749	
Intermediate School		
Wexford-Missaukee	<u>16,493</u>	<u>\$ 92,420</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

During the course of our audit of the financial statements of Ellsworth Township for the year ended March 31, 2006, we noted the following items:

GASB 34

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Ellsworth Township, these changes were first reported in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that report financial information on a Township-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Property Tax Administration Fee

As reported in the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Clerk's Ledger

During the course of our audit we noted that the clerk's manual ledger book only had page totals and no year end totals and was not complete for the year. After all transactions were subsequently recorded by the clerk in the ledger, the amounts did reconcile to the change in cash for the year. We have included a

separate recommendation in this letter that the Township computerize its' recordkeeping to alleviate this problem in the future.

Un-Cashed State Shared Revenue Check

While reconciling the receipts the Township recorded for the year, we noted that the State Shared Revenue the Township had recorded was less than it should have been. Upon investigation of this problem, we found the Township had not received its October 2005 revenue sharing payment from the State of Michigan in the amount of \$8,602. Apparently, the Township as well as the State had not noticed that the check had not been received or cashed by the Township. We contacted the State to initiate the process for the State to pay these funds to the Township, and the Township should be receiving a check for \$8,602 shortly. We recommend that the Township review its records for the previous year to insure all revenue sharing payments for the 2004-2005 fiscal year were received and deposited by the Township.

Mileage Reimbursement

The Township has a policy of reimbursing eligible miles at the current IRS rate. However, after January 1, 2006, the IRS lowered its standard mileage rate from 48.5 cents per mile to 44.5 cents per mile and the Township continued to reimburse at the higher rate. The Township should either receive a refund for the overpayment, or include the excess paid as additional compensation to the people who received the excess.

Computerization of Accounting Records

We recommend the Township give consideration to computerizing the general ledger of the Township. We believe doing this would ultimately save time and reduce the number of recordkeeping errors. We have discussed this with the Clerk and Treasurer and are available to assist in this endeavor if requested.

We would like to thank the board for its continued confidence in our firm and thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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DALE D. COTTER,

JOHN H. BISHOP, C.P.A.
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Ellsworth Township
Lake County
Luther, Michigan

In planning and performing our audit of the financial statements of Ellsworth Township, Lake County, Luther, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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